G. R. S. 59] 8(P)

GPB—15,000—22-7-14

GENERAL AND REVENUE SECRETARIAT.

P 52E

1913-14

(Q. F.)

File No. 52-13

Serial Nos. 1-9

Papers Filed.

Month October 1914

SUBJECT.

Conversion of the State Railways Loan Sinking Fund from Rupee to Sterling basis.

PREVIOUS REFERENCES.

LATER REFERENCES.

S. F. 159-16 & 2, B. Feby 17
S. F. 43-16 & 1, " B. Nov. 16.
97 159-16 (1-9)
97 55-19-18-33-40, 42-47

SUBMITTED TO THE DEWAN.

IMMEDIATE.

1 I submit herewith a draft to the Residency regarding the conversion of the State Railway Loan Sinking Fund from Rupee to Sterling basis. The draft explains itself and further noting is not necessary.

2 I have verified from independent sources that the rate for 3½ % India Sterling Loan is in the vicinity of 87 while the Rupee 3½ per cents. are in the vicinity of 96. As the matter has to be expeditiously settled if considerable advantage is to be derived, I submit this question separately so that the draft to the Residency may issue at once if approved.

3 The question of converting a part of our ~~Reserve Loan and~~ Surplus investment balances into Sterling Securities will be submitted for orders later on.

4 The following papers are placed on the file:--

1. A letter from Messrs. Scott & Tod, a respectable Madras Firm of Brokers with the principals of which I am personally acquainted.
2. A printed collection of papers relating to the English Railway Loan Sinking Fund.
3. Secretariat file of September 1912 relating to the conversion of a portion of the Government Rupee Securities into Sterling Securities.

5 The favour of very early action is solicited.

JChakravarthi
Compt & Auditor

Comptroller's Office,
Bangalore, 30 July 1913

R. S. 12]

General and Revenue Secretariat.

G. F. File No. 52 of 1913.

Serial No.

6 It is not easy at present to express any opinion as to the proposed conversion of the Rupee loan into one of Sterling. Even so many as about this time last year, this question came up for discussion but it was not thought desirable then to take any action as the circumstances were not so favourable.

7 I am of opinion that in view of this we must be content to wait for more favourable opportunity & take any action as recommended by the Financial advisers & the H. Legislature & the proposed draft to the Secretary of State for themselves will

6/7/13

First Commission)

9 I agree that it would be advantageous to make the conversion proposed at the present rates of exchange.

7/7/13

6. L. Dr. 3884/8.7.13

NOTE—Contn. sheet.

GIP—65,000—17-6-12.

Submitted to His Highness.

10 I submit, for His Highness's approval, the - - draft of a letter to the Residency prepared by the - - Financial Secretary, regarding the conversion of the - - State Railway Loan Sinking Fund from a Rupee to a Sterling basis.

11 2. The Financial Secretary is of opinion that the present is a favourable opportunity for effecting the - conversion. I agree with him in the view that as the - Railway Loan has to be paid in Sterling we may take - - advantage of the present occasion and convert as large a portion, as is possible, of the Railway Loan Sinking - - Fund from a Rupee to a Sterling basis. The Councillors also approve of the arrangement.

M. Krishnaraya -

11th July 1913 -

4

V. 4

Record of Cases submitted for the Orders of His Highness the Maharaja

No. 1486
Mysore,
11th July 1913.

Subject.

11(a) Draft of a letter to the Residency regarding the conversion of the State - Railway Loan Sinking Fund from a Rupee to a Sterling basis.

12 *Order.*

Approved
~~KRWS~~
12/7/13

13 Secretary

13.7.13

13/7/13

14

Officer In-charge,

Dewan's Home Office.

The file$ sent herewith under separate cover contains a draft approved by the Dewan which is to issue to the Residency ~~for~~ over his signature. Will the Dewan's Office please have a fair copy made and issued and return the file to me to-morrow.

J Chakravarti
13.7.1913

15 Issued and file returned

15/7/13

16 The papers - items 1 & 2 - referred to the Comptroller's Secy's note of 3.7.13 - ~~belonging to this Office~~ have been released and the file returned to the Financial Branch

S. Ibrahim
Asst Comptroller

16(a) when papers ~~latter~~ received from Dr II are retained here for future reference. It is presumed that Dr II has no objn. HE 16-7-13

Mark

G. R. S. 12]
General and Revenue Secretariat.

G. F File No. 52 of 1913

4 6

Serial No.	
1	To the Hon'ble the Resident in Mysore. Confdl. No. 398 dt. 15-7-1913. Suggests the desirability of the Durbar converting the Mysore Railway Loan Sinking Fund from rupee stock into sterling stock and requests that if the Hon'ble the Resident is agreeable to the proposal arrangements may be made in consultation with the Comptroller General to convert as large a portion of the rupee paper as possible into India 3½% Sterling stock and to continue to do so similarly in future when suitable opportunities occur after consulting the Durbar on each occasion.
	From the 1st Asst to the Hon'ble the Resident. No. 4712 dt. 8-8-1913. States that the Resident has passed on the above letter to the Compt. General for his views and that his reply is expected in a fortnight.
	From the 1st Asst to the Hon'ble the Resident in Mysore No. 5650 dt. 16-9-1913. States that the Compt. General's reply has not yet been received and that he has been asked to expedite his reply by telegram and adds that as the existing method of investment was sanctioned by the Secy of State, the present proposal of the Durbar also requires his sanction and that the necessary

NOTE—Contn. sheet.

GPB—55,000—27.4.09

Serial No.	
	refee will bee made as early as practicable after receipt of the Comptroller General's reply.
2.	From the 1st Assistant to the Hon'ble the Resident in Mysore No. 5960 dt 29-9-1913. Forwards a copy of the Compt. General's reply on the subject of converting the Rupee stock into sterling stock, for the consideration of the Durbar and states that the Resident has submitted the correspondence to the Govt. of India for advice or instructions at the present stage. (1) The Compt. Genl. states in his letter that though the proposed conversion increases the face value of the securities held by the Durbar and the yearly income thereon yet it is difficult to say whether investment in sterling or in rupee paper will be more beneficial to the State inasmuch as the price of sterling stock is liable to sudden and serious fall while the rupee stock is comparatively steady. He however recommends that the Durbar should ask the G of I to obtain the sanction of the Secy of State (1) to invest in sterling securities all future income from the Sinking Fund and (2) to convert gradually the existing rupee stock into sterling stock without affecting the market price in India and he states that this object can be attained by an amount not exceeding 20 lakhs being invested in sterling stock every

NOTE—Contn. sheet.

G. R. S. 12]

General and Revenue Secretariat.

G. 7 File No. 52 of 1913.

Serial No.	
	year. [illegible]
	18 The previous notes relating to this case have been retained in the Comptroller's office and it is stated that they will be put up when the file is subd to the Financial Secretary.
	Blr IN
	11-10-13.

General and Revenue Secretariat.

G.F. File No. 52 of 1913.

Serial No.

of the Govt of India as Crendera & sure
Ready and a safe investment. Whilst
the Govt of India, when the Sinking Funds was
formed, were allowed to invest the
money in the Sterling Securities and in
Schedule Securities, Whatever Agreement &
obtained the means when the investment
of the Rupee paper was pressed upon. Whether
in the face of the opinion given by the
Comptroller General it is desirable to press
the matter upon for Consideration. Even if
the money is in Rupee paper Apprehend
no danger as if the Sterling paper in 1937
Should be cheap we can easily convert our
Rupee paper into a profitable one selves
besides but if above the Standard
rate of Exchange we can always Convert
at that rate. Upon the other hand the
investment in Sterling & the Value
falls, the realisation & sale may
be Considered upon Reasonable
A under the present System the Corpus
plus invested periodical interest
realisations are Expected to more
than £1,200,000 in 1936. The Sinking
Fund Affairs may therefore be Continued.

Amount

NOTE—Contn. sheet.

Secy

GPB—60,000—25-9-13.

15-10-13

Serial No.

purpose very well and the attached draft to the Residency may therefore issue.

19/10/13

Camp Mysore,
19th Oct. 1913.

Dewan)

6131
15-11-13

20.10.13.

2 Approved by Dewan
19/10
27 Issued
17.XI.13

ed by H Secy

4. To the H. A Resident in Mysore
No: Pol: 382 Dt 19-11-13.

In reply to Sl No: 3. requests that the necessary sanction of the Govt: of India may be obtained, as recommended by the Comptroller General, to the investment in Sterling Securities of all future income of the Mysore Railway sinking Fund derived as interest on the existing investments and to the gradual-

Svs
20/11

G. R. S. 12]

General and Revenue Secretariat. | G.F. File No. 52 of 1913.

Serial No.

will be done with the sale proceeds till the date of investment. Evidently good opportunity for sale may not be good for investment even though the securities differ. If the money cannot be immediately invested there will be loss of interest till it is invested.

2) As regards the rate of exchange, the G of I are agreeable to accept either the average rate on the Secy of State's bills during the month in which the transaction takes place or a uniform rate of 1s. 6d for all transactions however effected. What the difference between the 2 rates will be is not apparent.

3) The G of I are prepared to the above alternatives on the understanding that the procedure now chosen is adhered to until the conversion is completed and that the discretion of the Controller of Currency in carrying out the operations is otherwise unrestricted.

4) In the first letter to the Residency it was stated that if the Resident agreed with the Durbar's views an arrangement may be made with the Comptr Genl to convert as large a portion of the rupee paper as possible into India 3½% Sterling stock and to continue

NOTE—Contn. sheet.

GPB—50,000—25-9-13.

12 16

Serial No.

rate obtained by the S.J.S. is more frequently above 16d than below. It may be verified in the Secretariat by preparing a regular statement for the last two years — I only from general impression. M

22/5 Draft

MR 22/V

35

Draft put up.

The price of Council bills regularly for the last 2 years cannot be compiled from any papers available in the Office. The Statistics of British India Part-IV (a) give information only up to end of 1911-12. Copy put up.

Hag S.

Abstr. SW 25/5 /33) Fd. Secy's orders.

25/5

M/c B&R

Can you give the information?

M

(Note g/c B&R in file). 25/5 — Secy's orders

Seen. Draft attached & passed. M 26/5

26) Please prepare fair Draft

NOTE—Contn. sheet.

Statement Showing the rate at which Remittances were received from messrs Coutts & Co London, by means of Council Bills for the last 2 years. 16a

month	Rate.	
April 1912	1s 4 1/16 d.	The average rate realised by Sec'y of State on his drawings during the last two years is not readily available anywhere, and to calculate it by referring to newspapers would involve a great deal of trouble. I therefore asked this Statement to be prepared showing the rate at which Messrs Coutts & Co purchased Council Bills for remitting their money to us. although these rates cannot be taken as the average for the month, they give a rough idea of what the Sec'y of State generally gets on his Bills. They bear out the opinion that the rate obtained by the Sec'y of State are more often over than under 16d per rupee.
	1s 4 3/32 d.	
May 1912	1s 4 1/16 d.	
June 12	1s 4 1/32 d.	
	1s 4 1/16 d.	
July 12	1s 4 1/16 d.	
August 12	1s 4 1/32 d.	
	1s 4 1/16 d.	
September 12	1s 4 1/16 d.	
October 12	1s 4 1/16 d.	
November 12	1s 4 3/32 d.	
December 12	1s 4 3/32 d.	
January 1913	1s 4 1/8 d.	
February 13	1s 4 3/32 d.	
march 13	1s 4 1/32 d.	
April 13	1s 4d.	
may 13	1s 4 1/16 d.	
June 1913	1s 4 1/32	
	1s 4 1/16	
July 1913	1s 3 31/32 d.	
August 13	1s 4 1/32 d.	
September 13	1s 4 3/32 d.	
October 1913	1s 4 1/8 d.	
November 13	1s 4 3/32 d.	
December 13	1s 4 3/32 d.	
January 14	1s 4 3/32 d.	
February 14	1s 4 3/32 d.	
march 14	1s 4 1/32 d.	
April 14	1s 4 1/32 d.	

There is no ~~immediate~~ harm — on the other hand there may be some gain — by accepting average rate realised by Sec'y of State, in the immediate future. But it is difficult to say if these favourable conditions would continue for a long time to come and as our transactions are — of investing interest on rupee paper may continue for a number of years to come, it was suggested that the fixed rate of 1/6 may be safer. But if transactions (on a main part) are likely to be completed in the next few years it would appear that average rate realised by Sec'y of State is decidedly favourable to us (Govt)

Submitted to His Highness.

page 3 of this Notes. 38 In continuation of my note dated the 11th July 1913, I submit herewith, for His Highness's kind perusal, the further correspondence regarding the conversion of the State Railway Loan Sinking Fund from a Rupee to a Sterling basis.

draft for appl. 39 2. The accompanying draft letter to the Residency stating the conditions on which the conversion may be effected, may be kindly approved.

M Krishnaiya

8th June 1914.

D.O. No. 485

With nine files
in Box No. 4.

The Palace, Mysore,
19th June 1914.

My dear Sir,

I am directed to return the accompanying files* with His Highness the Maharaja's approval of your recommendations in all cases. I could not get His Highness's initials on the files owing to his absence at Ooty, but I sent His Highness a note of their contents by post and obtained his sanction by Telegram.

*Files Nos. C.33,34,35, 36,38,40, 42,107 & 108 of June 1914.

Yours sincerely,

Signed. R.H. Campbell.

M. Visvesvaraya Esq., C.I.E.,
Dewan of Mysore,
Mysore.

.....

"COPY"

B. V. Lakshmana Row
20.6.14.

Record of Cases submitted for the Orders of His Highness the Maharaja

No.40 dated 7th June 1914.

Subject.

Draft letter to the Residency stating the conditions on which the conversion of the State Railway Loan Sinking Fund from a Rupee to a Sterling basis, may be effected.

Order.

Approved. Vide Mr. Campbell's D.O. No. 485 dated 19th June 1914.

Secretary.

20.6.14.

General and Revenue Secretariat. G P File No. 52 of 191 3-14.

Serial No.	
6.	To the F.A Resident in Mysore Pol: 1023 dt. 25-6-14. States that the Durbar have no objection to the Controller of Currency effecting the conversion at any time of the year which he may think most advantageous to the Durbar and that the Durbar prefer to accept the average rate obtained by the Secy: of State on his bills during the month in which each transaction takes place; requests that if the Govt: of India see no objection the Controller of Currency may be asked to send intimation to the Durbar after each ~~operation~~ conversion is carried out.

NOTE—Contn. sheet.

GPB—60,000—7-11-13

. R. S. 12]

General and Revenue Secretariat.

Genl Jn File No. 52 of 1913-14

Serial No.	
7.	From the F. A. Resident. No. 4451 & 3.7.1914. States in continuation of Serial No. 5- the opinion of the Secy of State in the matter of investing the whole of a sinking fund in securities of one class. 98 The Secy of State considers that there are some disadvantages in investing the whole of a sinking fund in securities of one class and prefers that future investments should be made partly in India stocks and partly in the 4% debenture stocks also or in other trustee securities. Subd for orders.
46 (a) I would do so only subject to some conditions — not absolutely. M 8/7	6/7/14 46 The procedure proposed by the Secy of State may be approved in terms of the draft Resolution submitted by the Revenue Dept. It suggested the buying up the 4% debentures themselves as they become available. This is also one of the investments suggested by the Secy of State.
47 (a) Yes, but we must lay down what we could call favourable — M 8/7	47 We may perhaps ask that annual statements may be furnished showing as usual what sterling purchases and payments may be made and when it is in our favour to do so.

NOTE—Contd. sheet.

GPB—60,000—7-11-13

General and Revenue Secretariat. | Q. 7 File No. 52 of 1913-14.

Serial No.

48 Please see Rule 20 of the Indian Trusts Act. Earl 8/7/14

49 Please let me have a list of what are regarded as "Trustee Securities" within the meaning of the Residency letter. M 8/7

50 Please bring the Indian Trusts Act Earl 9.7.14

51 The new civil court manual Vol I containing the Indian Trusts Act is put up

Please see p. 197 M B.V.N 9/7

L (48) 9/7/14

Sub 52 Please see Rule 20 of the Indian Trusts Act for securities in which a Trustee can invest trust property.

Addl 53 It is doubtful whether the Residency letter refers to Trustee securities under the Indian or English law. Can you find out what are Trustee securities under the latter? M 10/7

not only our intention M 8/7

Jmis 15-14 Jotish M

NOTE—Contn. sheet.

GP—60,000—7-11-13

Serial No.

59 They are too rigid & would prevent us from getting the advantage we seek.

60 We want conversion of the existing rupee securities if such conversion can be effected at an advantage of six points or over. Nor do we want to bind ourselves to sterling securities for all future investments, even if such investments are less favourable than rupee investments.

61 We want to take advantage of both markets as far as possible as regards conversion and as regards future investments.

62 For conversion, the point of operation maybe fixed at 6 points advantage; for new investments the point of operation in the English market may be 3 points advantage. If the advantage is less than 3 points we may go in for rupee paper. Of course in comparing securities at a different rate of interest from 3½%, conversion on arithmetical basis to 3½% should always be made.

(A) We should, of course, go in only for Trustee securities under the Indian law (see 20, Indian Trusts act).

(A)

63 In my opinion we should press for an elastic system as above. The Mysore Durbar have every right to insist on such a system. From copies of paras 421 & 422 of the Comptroller-General's office manual (copy appended for ready reference) it appears that the Dewan and the Hon'ble the Resident in Mysore are the trustees to the fund and the Comptroller-General

G. R. S. 12]

General and Revenue Secretariat. Genl. Fin File No. 5'2 of 1913-14

Serial No.

is the custodian. It may be left to the Trustees to decide how the proceeds of the fund should be invested from time to time. If this is done and (A) above be adopted for the present as a working rule, the arrangement will be satisfactory.

64 If this view is approved, a draft will be put up.

M
28/7/14

524 (with two Books)
29.7.14

Secretary

65 Can the Fin Secretary kindly favour me with a draft letter to the Residency in accordance with his views with which I am in concurrence?

4.8.14. hb

Draft
7.8.14

66
Draft subd
Abn SW 61 Please prepare revised draft
15/8 1078
11.8.14

67
Revised draft put up.
Abn
16/8 Secy

16.8.14

68 Clean draft please as requested.
M
16/8

NOTE—Contn. sheet.

GPB—65,000—17-6-12.

HVN, 1578.

R. S. 12]

General and Revenue Secretariat.

G.F File No. 52 of 1913-14

Serial No.

69 Clean draft sub?
HDH SN
15/8/14 Dedecy

15-8-14

70 The draft is initialled. It may issue, if approved by Dewan, sometime hence after the European crisis is over.

M
15/8

Dewan)

15/8
15-8-14

900
17-8-14

71 An intermediate reply to the Residency may be drafted to the effect that the Durbar will send a reply to the communication of the Secretary of State when the money markets return to normal condition.

22.8.14.

72 Draft
15-8-14

Draft sub?
HDH SN
26/8/14 26/8 Dewan)

26.8.14.

1164

M
27/8

73 Dewan

NOTE—Contn. sheet.

GPB—10,000—13-6-14

G. R. S. 12]

General and Revenue Secretariat.

F & L - File No. 5 2 of 1913-14.

Serial No.	
8	To The H. A. Resident No Pol: 109 D 31-8-14. In reply to his letter No: H45-1 D 3-7-14 states that the Durbar's final reply to the proposals of the Secy: of the State for India on the subject will be communicated to the Honible the Resident when the money markets return to normal condition
9.	From the H. A. Resident= D.O. No: 7249. D 8-10-14. Refers to Sl No: 8 and says that the question is now being treated as closed, pending a further communica- tion from the Durbar and that the Secy: of State has been informed accordingly by the Govt: of India

Financial Secy's order

74 Assistant Secy: Finance.

Please note and place on file (Sd) J S B. 24-10-14

75 Submd: for perusal. Seen. The matter

Sen

15/10/14

NOTE—Contn. sheet.

GPB—10,000—13-6-14

G.F. 5-2-13

Sl. No. 1.

To.

The Hon'ble the British Resident in Mysore.

Pol no 39
dt 15.4.13
Signed by Mr. Visweswaraya

Draft for approval

Sir,

I have the honor to invite your attention to the arrangements now obtaining as regards the investment of the money at the credit of the State Railway Loan Sinking Fund.

This Sinking Fund was started as per First Assistant Resident's No. 4551-161-89 dated the 30th October 1899 for the repayment of the State Railway Debentures of the value of £ 1,200,000 falling due in the year 193 It consists entirely of investments in Government of India Rupee Paper an the Interest realised every half year is similarly invested. The face value of the Securities held on 31.3.1913 wa 83,68,600 and the investments are

are expected to accumulate by 1936 to over Rs 1,80,00,000 (the equivalent of £ 1,200,000).

A reference to the correspondence ~~I may recall to your mind~~ on the subject from 1895 to 1899 will show that the Secretary of State and the Government of India were in the first instance of opinion that the investment should be effected in approved sterling securities so that the repayment of the loan in sterling might be rendered easy. The late Sir K. Seshadri Iyer though recognising the force of these ~~above~~ considerations was in favour of making the investment in rupee paper in view of the difficulty involved in the State undertaking to make investments abroad, the smaller interest which sterling securities were then realising as compared with rupee paper and the fall in exchange which rendered the transfer of money to England difficult. Although under these circumstances he considered it more advantageous at that time to invest the money in rupee

rupee paper in India and ~~persuaded~~ obtained the Government of India to ~~allow him~~ the order of the adoption of ~~to opt~~ this course ~~to invest in rupee paper~~ he had not altogether omitted to take into accou the unsatisfactory feature of having a rupee fund to provide for the repaymen of a sterling loan and had declared that if at some future time ~~the~~ ~~found~~ a greater approximation than existed was found then between the income from sterling and rupee investments it could be arranged to convert the fund into one on a sterling basis. (Para 8, letter to the Hon'ble the President No. 34 D dated the 25th January 1899).

---- As the Secretary of State and the Government of India had recognised the desirability of having a sterling fund and insisted on one more than once, it is not necessary for me now to expatiate on its advantages.

I would only say that the present time seems to be very opportune for converting the rupee paper into sterling paper. ~~3½~~ Rs 3½ India

(4° 3)

stock (sterling) is now quoted at 87¼% while 3½% rupee paper is quoted at 96%. Allowing a small margin ~~for~~ for expenses incidental to conversion there is a clear gain of 7½% in capital value and a corresponding increase in interest by converting the rupee paper into sterling stock. ~~The conversion is not, I think, one attended with much difficulty and if~~ If the whole of the rupee paper now held by the Comptroller General on behalf of the Sinking fund ~~cannot~~ be thus converted, it would be a great gain to the Durbar ~~if as large a part as possible is converted. I have therefore~~ If you agree in this view I would request ~~to request you both in your capacity as Resident and as Trustee to the Durbar to arrange with~~ you upon arranging in consultation with the Comptroller General to convert ~~at once~~ as large a portion of the rupee paper as possible into India 3½% sterling stock, and to continue to do so similarly in future when suitable opportunities occur, ~~but first after~~ communicating with the Durbar. ~~I present~~ in each case in

~~present themselves~~ 3V 5

As the present market is very favourable for the conversion I request ~~your sending~~ ~~awaiting~~ that needful arrangements may kindly be made with ~~accordingly~~ ~~instructions~~ to the Comptroller General as early as possible.

I have the honor to be,

Sir,

Your most obedient Servant

11.7.13

RC

~~Comptroller~~
Accountant General

3/7/13

24-6-13

Mysore 74

No. 4712

83 Dis. No. 17642 L

THE MYSORE RESIDENCY,

Bangalore, 8th August 1913

My dear Dewan Sahib

The Resident has passed on your letter No. 39 Pol. dated the 15th July 1913, regarding the investment of the money at the credit of the State Railway Loan Sinking Fund to the Comptroller General for his views. The matter is engaging his consideration and his reply is expected to be ready in a fortnight.

Yours Sincerely

M B Chalmers

Group I

9.8.13

Forwarded for favour of information and necessary action.

Secretary to Government Finance & Commerce Dept.

9/8/13

THANKS: SEEN.

9 AUG 1913

This may be placed in file

9/8/13

Supdt. Br II

CER 11/8/13

M. Visvesvaraya Esq., C.I.E.,

Dewan of Mysore.

Fin. Sundries
D. D. No 5650 16.9.13

D. 1355 25 D. O. No. 732

THE MYSORE RESIDENCY,

Bangalore, 16th September 1913

To be registered & sent for

My dear Dewan Sahib

With reference to your D.O., letter No. 873, dated the 9th September 1913, regarding the proposed conversion into sterling bonds of the rupee securities at the credit of the Mysore State Railway Loan Sinking Fund, I am desired to say that we have not had a final reply from the Comptroller General and that he has now been asked to expedite his reply by telegram.

2. The existing method of investment was, as the Durbar are aware, sanctioned by His Majesty's Secretary of State for India, and the proposal now made by the Durbar for converting rupee securities into sterling bonds presumably requires His sanction. The necessary reference will be made to the Government of India with as little delay as practicable upon receipt of the Comptroller General's reply.

Yours sincerely

M. B. Wardlaw

M. Visvesvaraya Esq., C.I.E.,

Dewan of Mysore

Pol Dep 530 & 29.9.1913.

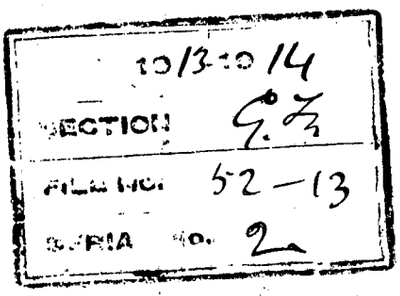
No. 5960

FROM

P. B. WARBURTON, ESQ., I. C. S.,
FIRST ASSISTANT TO THE RESIDENT IN MYSORE.

To

DIARY No. 1445 The Dewan of Mysore.



Dated Bangalore, 29th September 1913

SIR,

I am directed to refer to your letter No. 39 Pol. dated the 15th July 1913, regarding the proposed conversion into sterling bonds of the rupee securities at the credit of the Mysore Railway Loan Sinking Fund.

2. The Comptroller General was consulted in the matter and I am to forward, for the consideration of the Durbar, a copy of his reply, dated the 19th September.

3. The Resident has submitted the correspondence to the Government of India in case they should be in a position to give him any advice or instructions at the present stage.

I have the honour to be,

Sir,

Your most obedient servant,

P B Warburton

First Assistant Resident.

R. O. 2.—R. P. B.—8-1913.—1,000.

36 Encl: to G.I. F. 52-13-21

Letter No. 1225D/125-13 dated the 19th September 1913 from the Comptroller General to the First Assistant to the Resident in Mysore.

I have the honour to acknowledge the receipt of your letter No. 4272 dated the 19th July 1913 on the subject of the proposal by the Mysore Durbar to convert the rupee securities now held in the Mysore Railway Debenture Sinking Fund into sterling securities.

I regret the delay in replying to your letter. This delay is due to a preliminary reference to the Government of India from this office as the proposed investment in sterling securities requires the sanction of the Secretary of State and should be made through him.

There is no doubt that the conversion contemplated by the Mysore Durbar will increase the face value of the securities held in the Sinking Fund and the yearly interest realised thereon. At the same time it is possible that the benefit derived thereby may be counterbalanced by a sudden and serious fall in the price of sterling securities when it becomes necessary to realise them towards 1936. The price of sterling securities has gone down heavily in recent years and it is possible that such a fall as is indicated above may occur at the time of realisation. The price of rupee paper is not so subject to the world wide causes which result in the fluctuations in the price of sterling securities and has been comparatively steady for some time past. The financial object of a Sinking Fund is best secured by investing in Paper which is not liable to heavy fluctuations.

At the same time it is admittedly difficult to say whether investment in sterling or in rupee paper will be more beneficial to the State and in all the circumstances of the case, I recommend that the Durbar should ask the Government of India to obtain the sanction of the Secretary of State to the investment in sterling securities of all future income of the Fund derived as interest on investments and to the gradual conversion of the existing the existing rupee holding in the Fund into sterling securities to an amount not exceeding 20 lakhs in any one year. Such a gradual process of conversion of rupee securities will, it is calculated,

Pol. No. 3823/19.11.13.

Signed by Hon. 19/11
T.S. Chakravarti 15/11

Exp. Rit
Ldr
19/11

2.6297.

(D R A F T)

Sc: No: 4

To

P.B. Warburton Esq., I.C.S.,
First Assistant to the Honorable
the Resident in Mysore

Sir,

With reference to correspondence ending with your letter No.607 dated 10th October 1913 regarding the proposed conversion into sterling bonds of the rupee securities at the credit of the Mysore Railway Loan Sinking Fund, I am directed to state that the Durbar accept the recommendation of the Comptroller-General contained in the concluding para of his letter No.1225D/125-13 dated the 19th September 1913 to your address, viz., that sanction should be obtained to the investment in sterling securities of all future income of the Fund derived as interest on the existing investments and to the gradual conversion of the existing rupee holding in the Fund into sterling securities to an amount not exceeding 20 lakhs in any one year. I am to request that the necessary sanction may be obtained as early as practicable and that the Comptroller-General may be requested to effect the conversion in the way suggested by him to the best interests of the Durbar.

I have the honour to be,
Sir,
Your most obedient servant,

Dewan of Mysore.

Comptr 18/11
Comptr 18/11
19/10
15.11.13
Ldr

Copy to Dewan

WO Pol No 1996 16.5.1914.

No. 3382.

FROM

P. B. WARBURTON, ESQ., I. C. S.,
FIRST ASSISTANT TO THE RESIDENT IN MYSORE.

DIARY No 4650. 1C

1913-1914
SECTION G.Z.
FILE No. 52-13
SERIAL No. 52

To

The Dewan of Mysore.

Dated Bangalore, 16th May 1914

SIR,

With reference to the correspondence ending with Diwan Bahadur J.S.Chakravarti's letter No. 382 Pol., dated the 19th November 1913, regarding the proposed conversion into sterling securities of the rupee paper held in the Mysore Railway Debenture Sinking Fund, I am directed to say that the proposal has been placed before the Secretary of State for India whose orders are awaited. The Government of India desire, in the meantime, to be favoured with the views of the Durbar regarding (1) the dates of sale of the amount of rupee paper which it may be decided to convert in each year, and (2) the rate of exchange at which the sale proceeds and the interest accruing on the investments in India should be remitted to England.

2. The Government of India are prepared to agree to either of the following alternatives, on the understanding that the procedure now chosen is adhered to until the conversion is completed, and that the discretion of the Controller of Currency in carrying out the operations is otherwise

R. O. 2.—R P. B.—3-1914.—1,000.

otherwise unrestricted; and they will be glad to know at an early date which alternative is, in each case, acceptable to the Durbar:-

(A) As regards the dates of sale, (i) that the sale shall be effected at such dates between January and June as the Controller of Currency may think most advantageous to the Durbar, consistmently with the requirement that the market shall not be unduly disturbed; or (ii) that approximately 1/12 th of the agreed amount shall be placed on the market every month of the year.

(B) As regards the rate of exchange, (i) that it shall be taken at the average rate obtained by the Secretary of State on his bills during the month in which each transaction takes place; or (ii) that for all transactions, however effected, a uniform rate of 1s. 4d. per rupee shall be adopted throughout.

I have the honour to be,

Sir,

Your most obedient servant,

First Assistant Resident.

G. R. S. 26]

4 2

Revised draft GR File No. 52-13

Serial No. 6

Diary No. of letter replied to

PoC No. 1023.

General and Revenue Secretariat

( )

, the *191* .

To

The First Assistant Resident in

M y s o r e.

Date of issue 25. 6. 1914.

Signed by Mr. J.S. Chakravarthi

S i r,

I am directed to acknowledge the receipt of your letter No.3382 dated 16-5-1914 regarding the conversion of the rupee paper held in the Mysore Railway Debenture Sinking Fund into Sterling Securities. ~~You state two~~ It is stated that two alternatives are open to the Darbar in said case in respect of ~~each of the two points viz.~~, (1) the dates of conversion and (2) the rate of exchange ~~and desire to be informed which alternative~~ over.

SUBJECT.

16.

~~alternative is in each case acceptable to the Durbar.~~

2. In reply I am to state that as regards (1), the Durbar have no objection to the Controller of Currency effecting the conversion at any time of the year which he may think most advantageous to the Durbar provided the difference between the price of rupee paper sold and sterling paper purchased (Government of India 3½ per cent. in each case) is at least 6 per cent, the former being the higher price. The Durbar do not desire conversion on less favorable terms.

3. As regards (2), the Durbar prefer to accept the average rate obtained by the Secretary of State on his bills during the month in which each transaction takes place.

4. I am to request that if the Government of India see no objection the Controller of Currency may be ~~requested~~ asked to

List of enclosures.

Nil

25/5/14

Copied by

Examined by

GPB—25,000—8-8-11.

44 17.

G.R.S. 27]

GENERAL AND REVENUE SECRETARIAT.

(Continuation sheet draft form.)

to kindly send intimation to the Durbar after each operation of conversion is carried out.

I have etc.,

Financial Secretary.

H. K. S.

27/5/14

7.6.14

[Rough draft is initialled by the Financial Secy.]

Pol & 283 7.1914.

No. 4457.

FROM

P. B. WARBURTON, ESQ., I. C. S.,
FIRST ASSISTANT TO THE RESIDENT IN MYSORE.

DIARY No. 50

1914-1915
SECTION: G.S.
FILE NO. 5-2-13
SUBJECT NO. 7.

To

The Dewan of Mysore.

Dated Bangalore, 3rd July 1914.

SIR,

I am directed to refer to my letter No. 3382, dated the 16th May 1914, regarding the proposed conversion into sterling securities of the rupee paper held in the Mysore Railway Debenture Sinking Fund, and to state that the orders of the Secretary of State for India on the subject have now been received.

2. It was proposed by the Resident, with the concurrence of the Durbar, that all future income of the fund derived from interest on investments should be invested in sterling securities and that the existing holding of rupee paper should be exchanged into sterling securities in amounts not exceeding 20 lakhs of rupees in any one year. The object of the scheme is to secure a somewhat higher return on the investments than that now obtainable on Rupee Paper, and it is inferred by the India office that, in recommending sterling securities, India stocks have probably been kept in view.

3. The Secretary of State observes that there are some disadvantages in investing the whole of a sinking

fund

fund in securities of one class, to be sold en bloc when the occasion arises for which the fund is intended to provide. In his opinion, it seems preferable that future investments should be made partly in India stocks but partly also, whenever a favourable opportunity offers, in the 4 per cent debenture stock itself (now quoted slightly below par), or in other trustee securities, due regard being had to the relative cheapness of these different investments. If these proposals be accepted and when money becomes available for investment in England, the Secretary of State will give instructions for the purchase of stocks and their transfer into the names of suitable members of the India office to be held by them in the capacity of trustees pending the redemption of the debenture stock, provided that this arrangement is, as assumed, what the Durbar have contemplated.

4. I am to request that the Resident may be favoured at an early date with the views of the Durbar on the proposals of the Secretary of State for India.

I have the honour to be,

Sir,

Your most obedient servant,

First Assistant Resident.

G.R.S. 26]

28/8

4-1

File No. 52-13

Serial No. 8

Diary No. of letter replied to 50

P&C No. 189

General and Revenue Secretariat
(Genl Fin^{ce})
, *the* 19 .

To
The First Ass^{t} to the
Hon'ble the Resident
in Mysore.

Date of issue 31. 8. 1914

Signed by Mr. J. S. Chakravarti

Sir,

I am directed to acknowledge the receipt of your letter No. 6451 & 3. 7. 1914 regarding the proposed conversion of the rupee paper held in the Mysore Railway Debenture Sinking Fund into sterling securities, and to state in reply that the Durbar's final reply to the proposals of the Secretary of State on the subject will be communicated to the Hon'ble the Resident when

over.

SUBJECT.

re money markets return to normal

ndition.

I have, &c.,

Financial Secretary.

List of enclosures,

Copied by

Examined by

GPB—10,000—28-2-11.

49

D. O. No. 7 1957

D. O. No. 7249

THE MYSORE RESIDENCY,

Bangalore, 8th October, 1914

My dear Dewan Sahib

With reference to Dewan Bahadur J.S.Chakravarti's letter No. 189 Pol., dated the 31st August 1914, regarding the future investment of the Mysore Railway Debenture Sinking Fund, I am desired to say that the question is now being treated as closed, pending a further communication from the Durbar. The Secretary of State has been informed accordingly by the Government of India.

Yours sincerely

M B Wathen

To the

H. C. Secretary

9.10.14

DIARY No. 1395

1914-1915

SECTION: G. S.

FILE No. 52-13

SERIAL No. 19

DS. 3/5 M/S Fri

Please note & place on file

M

M. Visvesvaraya, Esq., C.I.E.,

Dewan of Mysore.